

Message Text

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SUBJ: ALLEGED INVESTIGATION BY U.S. TREASURY DEPARTMENT

OFFICIALS OF U.S. BANKS IN MILAN TO ASCERTAIN "ITALIAN
RISK"

PASS TREASURY FOR OASIA AND COMPTROLLER OF THE CURRENCY,
L'ENFANT PLAZA

SUMMARY. ARTICLE IN FINANCIAL PRESS ON JANUARY 28 ALLEGED
THAT THE DEPARTMENT OF THE TREASURY'S COMPTROLLER OF THE

CURRENCY HAS SENT A GROUP OF INVESTIGATORS TO MILAN TO
ASCERTAIN THE DEGREE OF "ITALIAN RISK" HELD BY MAJOR U.S.
BANK BRANCHES IN THAT CITY. ARTICLE THUS RAISES NEW ASPECT
OF CURRENT CONTROVERSY OVER COMPTROLLER OF THE CURRENCY'S
ALLEGED RULINGS AFFECTING ITALY'S INTERNATIONAL
CREDITWORTHINESS. END SUMMARY.

1. ROME BASED FINANCIAL DAILY "IL FIORINO" IN FRONT PAGE
FEATURE ARTICLE DATED WASHINGTON JANUARY 28 BEGINS
WITH STATEMENT THAT IN NEW YORK FINANCIAL CIRCLES ITALY IS
SEEN AS "SUSPECT" AND AS AN "EXCESSIVE RISK" AND THAT
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THE CRISIS OF CONFIDENCE IN ITALY AND ITS FUTURE INCREASES

DAY BY DAY. "IL FIORINO" THEN CITES ARTICLE IN THE LATEST ISSUE OF "BARRONS" WHICH ALLEGES THAT THE DEPARTMENT OF THE TREASURY'S COMPTROLLER OF THE CURRENCY "HAS SENT ITS AGENTS TO MILAN TO INVESTIGATE THE ALREADY EXCESSIVE EXPOSURE OF NEW YORK BANKS TO THE ITALIAN RISK." THE ARTICLE POINTS TO THE PRESENCE IN MILAN OF CHASE MANHATTAN, FIRST NAL CITY BANK AND MORGAN GUARANTY, WHICH HAVE HAD PARTICULARLY CLOSE RELATIONS WITH ITALIAN CLIENTS. "IL FIORINO" CORRESPONDENT QUOTES COMPTROLLER SPOKESMAN AS SAYING THAT "CONTROL OVER THE ACTIVITY OF AMERICAN BANKS ABROAD IS NOT SURPRISING, IN FACT, IT IS CONSIDERED TO BE A WIDESPREAD AND PERIODIC PRACTICE."

2. THE BANKS THEMSELVES, ACCORDING TO THE "BARRONS" ARTICLE, DO NOT WANT TO TALK OF SUCH A RISK WITH THEIR ITALIAN CLIENTS SINCE ITALY IS IN SUCH A "DELICATE PHASE" DUE TO THE POLITICAL CRISIS. THE BANKS REPORTEDLY ADD THAT THEY ARE LENDING ITALY EURODOLLARS, OR DOLLARS WITHOUT A COUNTRY, USUALLY FROM LONDON, AND THEY THEREFORE WONDER WHAT THE U.S. COMPTROLLER OF THE CURRENCY COULD LOOK FOR AND EVENTUALLY FIND AT THEIR BRANCHES IN MILAN. THE REMAINDER OF THE ARTICLE POINTED OUT "ITALY'S LARGE EXTERNAL DEBT BURDEN" AND GAVE ATMOSPHERICS OF THE PRESENT LIRA CRISIS.

3. COMMENT. EMBASSY DOES NOT HAVE COPY OF "BARRONS" ARTICLE AVAILABLE HERE NOR IS IT AWARE OF ANY SPECIAL VISIT BY COMPTROLLER REPRESENTATIVES AS REPORTED THEREIN. IT IS POSSIBLE THAT "IL FIORINO" HAS CONFUSED ROUTINE INSPECTION VISITS TO ITALY BY NATIONAL BANK EXAMINERS WITH ALLEGED SPECIAL VISIT.VOLPE

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